Extreme weather events are becoming more common...

WORLDWIDE INSTANCES OF EXTREME WEATHER EVENTS 1980-2018

...leading to greater government funding of "clean" energy...

CLEAN ENERGY INVESTMENT BY REGION ($BN)

...and creating new investment opportunities in renewables

PRICE – NEW vs OLD ($/MWh)


Source: Bloomberg New Energy Finance. January 16, 2019. Chart shows actual (and after 2018 forecasted) price of energy per Megawatt hour in US dollars across various generation sources. There is no assurance that such events or expectations will be achieved, and actual results may be significantly different from that shown here.
The risks associated with climate change are proliferating – with the number of extreme weather events climbing steadily over the past four decades. In 1980, for instance, there were almost 250 recorded extreme weather events. By 2018 that number had risen to 848.

Although the White House under President Trump has been skeptical about climate change, in the U.S., policy is largely driven at the regional level and several states have actually sought to accelerate their clean energy targets. Even so, economics are very much in the driving seat when it comes to determining the pace of adoption of renewables.

While the cost per megawatt-hour (MW) of electricity derived from coal or gas is expected to flat-line in the coming three decades, onshore wind and utility-scale photovoltaics (solar) are expected to become far more cost effective. Here, costs are forecast to drop from around US$60 per MW-hour at present to around US$20 per MW-hour by 2050, which would make them significantly cheaper than established fossil fuel generation methods.

For investors, as ever, the challenge will be to find the right way to access the opportunities formed from this change in the cost of renewables. With this changing dynamic, investment in renewables becomes less about whether you believe in climate change and more about the economic efficiencies that are predicted to be achieved in the sector, in our opinion.

*Paul Flood, portfolio manager at Newton, a BNY Mellon company*
All investments involve risk, including the possible loss of principal.

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Definitions:
Geophysical events (earthquake, tsunami, volcanic eruption)
Meteorological events (storm)
Hydrological events (flood, mass movement)
Climatological events (extreme temperature, drought, forest fire)

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